

*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Assistant General Counsel

DATE: 19 June 1952

FROM : Chief, Purchase Division

SUBJECT: Authority to Employ V-Loan Arrangements Under Defense Production Act of 1950

OGC HAS REVIEWED.

25X1A

1. Reference is made to your informal inquiry to [REDACTED] of this office with respect to our actual need for this authority as evidenced by our experience with contractors.

2. It is difficult to determine the usefulness of the V-loan arrangements on the basis of our experience inasmuch as we have had to explain to a number of contractors in reply to their inquiry that this Agency was without authority to make V-loans. As a result, it has been necessary to approve assignments of contracts to lending institutions without guaranty provided by the V-loan method or to arrange accelerated progress payments under contracts.

3. Many lending institutions apparently have a strong preference for the V-loan method because of the guaranty, and the simplification in procedure provided by the possibility of consolidating loans under that department or agency having a preponderance of contracts with a particular contractor.

4. It is the opinion of this office that the authority to employ V-loans should be obtained in order (1) to eliminate the administrative burden involved in accelerated progress payments; (2) to have available the financing arrangements which have proven so useful to the Armed Services whose contractors we often deal with; and (3) to have a useful alternative for financing contracts particularly in view of the expanding volume of work.

5. It should be pointed out that the use of V-loans will presumably necessitate the Agency having authority to waive offsets against claims assigned to lending institutions who finance the V-loans.

25X1A

PSO/AWE:jds (19 June 1952)

## Distribution:

- 1 - Legal file
- 1 - Chrono